

THE NEW ECONOMIC POLICY

**ITS
ORIGIN
AND
GOAL**



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Э. АНДРЕС

Для чего был нужен НЭП
на английском языке

Цена 17 коп.

PREFACE

The New Economic Policy grew out of the Marxist-Leninist theory that the change from capitalism to socialism involves a definite transition period. Karl Marx and Frederick Engels proved the inevitability of this transition period, described its economic and political nature, and outlined the principal tasks facing the proletariat after winning power. The point is that the taking of power by the working people does not automatically mean the end of capitalism and the beginning of socialism. Marx stressed that during the change from the capitalist to the communist society there lies a period of revolutionary transformation of capitalism into communism. Corresponding to this is a political transition period in which the state must inevitably be the revolutionary dictatorship of the proletariat.

Marx and Engels, naturally, could not foresee all the details of the process of formation of the new society. Marx's theory on the transition period was developed further by V. I. Lenin under new historical conditions. Lenin considered all

aspects of the question of different ways and methods of winning a socialist revolution, that of the content and forms of the dictatorship of the proletariat, and that of socialist nationalization of the basic means of production and distribution. He advanced a concrete plan for building socialism. Lenin's elaboration of the general principles of formulating the socialist state's economic policy in the transition period is an outstanding contribution to Marx's theory on the transition period. These principles were evolved by Lenin on the strength of the experience of socialist construction in the early years. The New Economic Policy (NEP) was the concrete embodiment of these principles.

A study of the Marxist-Leninist theory of the transition period and of the New Economic Policy, particularly the latter's implementation in the USSR, may help to clarify certain points concerning this country's economic development that are significant internationally and could be applied in countries engaged in social reconstruction along progressive lines.

The present work deals with the principal theoretical and practical aspects of the New Economic Policy in this country. It shows how socialism defeated capitalism economically in the most trying years, the early 1920's.

THE NEED FOR A NEW ECONOMIC POLICY

The Tasks of the Socialist Revolution. The socialist revolution has a dual task: to destroy the old and to build the new. It must destroy the economic and political government bodies that were created by the bourgeoisie and that served its interests. This means the abolishment of private capitalist ownership and the capitalist relations of production, i.e. the elimination of those economic conditions which lead to the exploitation of man by man.

The old forms of economic and social life come to be replaced by new ones that conform to the interests of the masses, who constitute the overwhelming majority of the population in any country. The masses led by the proletariat create their own socialist state in place of the bourgeois state; they replace private capitalist ownership by social ownership of the means of production and distribution.

The revolutionary tasks of destroying the old and creating the new are interrelated and complement each other. It is impossible to create the new order without destroying the old one; the new order arises and ousts the old order as the latter is being destroyed. In this dialectical unity the tasks of creation come first; they are more difficult to accomplish than the tasks of des-

destroying the old, though the latter are by no means easy.

The difficulties of abolishing capitalist orders have to do above all with crushing the resistance by the overthrown classes to the socialist transformation of society. The bourgeoisie stop at nothing in the hope of restoring their class privileges, their economic and political domination of society. They resort to boycott, sabotage, acts of terror, armed mutiny, even the unleashing of a civil war, as happened in Russia.

The difficulties of creating a new order are of a different nature. Aside from those arising from the need to crush the resistance of the exploiting classes, there arise difficulties caused by the absence of skilled personnel capable of managing the economy and governing the country, the absence of skilled labour power and of know-how. This was particularly true of the Soviet Union which had no pattern to build on, no previous experience of socialist construction, and was exploring an uncharted path.

The principal tasks of destroying the old were accomplished in a relatively short period. Revolution in Russia broke out in October, 1917; in the first half of 1918 the old state apparatus was destroyed, and heavy industry was for the most part nationalized. The Soviet state took over all the basic industries in the Urals, Petrograd, the Donets Coal Fields and the Moscow Region, i.e. the country's principal industrial centres.

The need for drastic measures and the earliest possible destruction of the capitalist foundations arose simultaneously from domestic and external conditions in which the Russian revolution unfolded.

The country was encircled by hostile capitalist states; there was the danger of intervention by the imperialist states; the overthrown bourgeoisie offered fierce resistance and was mustering forces for a counterblow against the revolution. Such were the conditions that made it necessary to destroy the bourgeois order as quickly as possible.

The Leninist Plan for Building Socialism. From the very first the Soviet state tackled the various questions related to the tasks of construction. In his works "The Immediate Tasks of the Soviet Government," " 'Left-Wing' Childishness and the Petty Bourgeois Mentality," "Report on Foreign Policy Delivered at a Joint Meeting of the All-Russia Central Executive Committee and the Moscow Soviet, on May 14, 1918," "On the Famine," etc. Lenin worked out a plan for commencing the building of socialism.

The plan includes a number of propositions. One is the rejection of indiscriminate, unjustified nationalization of industry. Further socialization of enterprises, according to Lenin, was to proceed as the proletariat would actually on their own take over plants and factories. Under these conditions the organization of strict accounting and control over production and distribution was extremely important. Workers' control at private enterprises was to become, in Lenin's view, the necessary step to frustrate the attempts of the bourgeoisie to sabotage the decrees of Soviet power; at the same time it was to serve as a school for training cadres in industrial management.

Lenin attached great importance to raising

labour productivity, regarding it as the chief factor in socialist construction, and consequently to socialist emulation, which would foster in people a new attitude to work and promote discipline. Lenin proposed that socialist construction be based not only on revolutionary enthusiasm but also on the principles of providing material incentives in labour. Thus he recommended that pay be set according to the amount and quality of the work done, that the piece-rate system be introduced at Soviet enterprises, and that material incentives be provided for raising labour productivity on the farms.

To ensure the proper functioning of socialist enterprises, the principles of democratic centralism, one-man management and cost-accounting were introduced. Lenin stressed time and again that until the time was ripe for the complete liquidation of capitalist elements it was necessary to make use of their experience and know-how in socialist construction.

Despite untold hardships caused by economic dislocation, famine and German occupation of the country's most important raw-material, food-supply and industrial centres in the Ukraine, Byelorussia, Latvia and Estonia, the Soviet state began implementing Lenin's plan for socialist construction. In early 1918 the Soviet government started to build up various sectors of the economy: textile industry, farm machinery, railways, etc. The construction of the Volkhov hydroelectric station, considered a major project then, got under way.

To direct the country's economy the Supreme Council of National Economy (VSNH) was instituted on December 15, 1917. Its principal

task was to provide for the proper functioning of the economy and to put state finances in order. The first plan for industrial production for a period of one year was worked out at the First All-Russia Congress of Economic Councils. This plan called for the mining of 5-6 million tons of coal, the smelting of 1-1.5 mln. tons of iron and 1.5 mln. tons of steel, and 200 mln. poods¹ of grain to be bought from the peasants. At this time the country's first budget was drawn up for the period between January and June, 1918.

In October, 1918 a decree was adopted whereby peasants were to provide the state with part of their produce, as a tax in kind; the remainder was for their personal consumption and for exchange for manufactured goods.

The Policy of War Communism. Lenin's plan for socialist construction, however, was not destined to be implemented immediately. In the summer of 1918 the country's internal counter-revolutionary elements unleashed a civil war; meanwhile the external enemies of socialism started an imperialist intervention in the hope of overthrowing the power of workers and peasants and restoring the rule of landlords and capitalists. As a result, instead of normal economic development, the Soviet government was compelled to conduct a policy of War Communism, which enabled the country to concentrate all its forces for rebuffing its enemies.

The most important feature of the policy of War Communism consisted in the introduction of the surplus-requisitioning system in place of

¹ pood—16 kg.

the tax in kind for the peasantry. Under this system all surplus products (and sometimes even part of the produce needed by the peasants) were requisitioned without compensation. This was a harsh but unavoidable measure. With the Civil War and the imperialist intervention going on, with plants and factories regeared for aiding the war effort or idle because of economic dislocation and lack of raw materials, the Soviet state did not have the necessary goods to exchange for farm produce needed by the many fronts and the rear.

Lenin characterized the policy of War Communism as a military-political alliance between the working class and the peasantry. Soviet government and the working class defended the peasants, their freedom and the land they received from the Soviet government. In return, the peasants gave the state farm products necessary for the defence of the revolution, for victory over the class enemy. Thus the surplus-requisitioning system conformed to the interests of both the workers and peasants.

In industry the policy of War Communism led to an all-out nationalization of large and medium-sized enterprises. In the spring of 1918 Lenin warned against indiscriminate nationalization and suggested that attention be above all directed to the matters of organization, control and accounting; but in the new situation speedy nationalization became necessary for defending the revolution. There was no alternative: either industry would be nationalized by the proletarian state and become an arsenal of the revolution, or it would be used by the bourgeoisie to topple the Soviets. To wrest industries from the

bourgeoisie meant to undermine the economic base of the resistance by the exploiting classes.

On July 28, 1918 the first decree on nationalization of the basic industries was issued; by November 29, 1918 full-scale nationalization was accomplished.

The policy of War Communism was also based on the strict centralization of industrial administration. The enterprises of each sector were subordinated to their chief administrative boards which planned the work of the enterprises and supplied them with all the necessary equipment and raw materials. This meant that the principle of democratic centralism in industrial management was considerably restricted; centralization took precedence, since the war effort demanded the maximum utilization of the industries for the needs of the front.

The Civil War and the intervention necessitated universal labour conscription. This War Communism measure was of a distinctly class nature and was directed against the exploiting classes. It served to mobilize the country's labour resources; this was particularly important since millions of workers and peasants had gone to the front to defend Soviet government.

Another measure of War Communism was the curtailment of trade and the introduction of direct and free distribution of food-stuffs. Food shortages forced the Soviets to practice strict accounting and control over food distribution. This was a blow to capitalists and profiteers. Direct distribution of supplies was based on class principle. Production workers and clerical personnel at enterprises were issued food rations free. Other products were also rationed and is-

sued free to working people nearly everywhere. Furthermore, payment for communal services was abolished.

The curtailment of trade was an unavoidable deviation from Lenin's instructions for establishing an economic alliance between the city and the countryside, the workers and the peasantry.

Such was the policy of War Communism in general outline. It was a forced and temporary policy, whose aim was to ensure the maximum mobilization of forces for defeating the external and internal enemies of the revolution.

Towards a New Economic Policy. The defeat of the external and internal counter-revolution radically changed the international position of the Soviet republic and its domestic situation. The failure of imperialist intervention meant the strengthening of the Soviet state's international position; it meant that world capital was unable to strangle the Russian revolution. At home the proletariat came out on top in the decisive battle against the bourgeoisie; this meant that the revolution was invincible. Thus through grim battles, socialism proved its right to exist. In the new situation that had arisen the tasks of military repression of the class enemy receded to the background while the tasks of peaceful economic development again came to the fore.

The Civil War and the intervention delayed the accomplishment of the creative tasks for nearly three years. The conditions for starting comprehensive peaceful construction were far worse in 1920 and 1921 than in early 1918. The Civil War and the intervention had worsened the economic situation in the Soviet republic until it was on the verge of being disastrous.

There was large-scale economic dislocation. Most of the factories stood idle or produced a bare minimum. Even those factories whose products were badly needed at the front could not run at full capacity owing to lack of raw materials, fuel and food-stuffs.

The following figures afford a glimpse into Soviet Russia's economic situation. In 1920 fuel output constituted 30 per cent of the 1913 level; power generation—25 per cent; iron ore output and iron-and-steel production—2.5 and 5 per cent respectively. The plight of light industry and the food industry was even worse. Overall industrial production in 1920 amounted to about 14 per cent of the 1913 level. Agriculture also suffered badly. Grain production dropped, and industrial crops were not cultivated at all. Animal husbandry products fell by 40 per cent.

The economic dislocation meant material privations for the population. Famine and disease threatened the very existence of Soviet power. Black marketeering became widespread. Many workers, driven by hunger, were leaving for the countryside.

Growing peasant discontent over the policy of War Communism added to the economic difficulties. While there was a real danger of a capitalist takeover the peasants accepted the system of requisitioning surplus. But when the danger had passed they grew increasingly dissatisfied with the appropriation of their farm products. Famine and the devastation of cities and the countryside gave rise to petty bourgeois sentiments. Petty bourgeois vacillation became prevalent not only among part of the toiling peasantry but also among the most backward strata

of the working class whose number and composition had changed materially during the war. Most of the class-conscious skilled workers had gone to the front while petty bourgeois elements came in their stead and filled the leading positions at enterprises and administrative offices.

Routed on the battlefield, the internal counter-revolutionary elements sought to capitalize on the growing peasant discontent over the policy of War Communism. They fed the peasantry with the lie that the Soviet government intended to continue the surplus-requisitioning system in the new, peacetime situation. Reaction managed to dupe peasants in some areas. There were uprisings by kulaks, who were joined by a section of misguided middle-income peasants.

Petty bourgeois wavering and kulak uprisings showed that the military-political alliance of the Civil War period on which the policy of War Communism was built had outlived its usefulness by 1921. War Communism had fulfilled its historic mission; it secured the victory over the White Guards and the imperialist interventionists. In peace time a new policy was needed which would accord with the tasks of economic construction. In Lenin's view, the time had come for the military-political alliance to be replaced by an economic alliance. From here Lenin elaborated an economic policy based not only on revolutionary enthusiasm but also on the workers' and peasants' material interests in socialist construction.

The Xth Party Congress held in early 1921 endorsed the Leninist policy of socialist construction and officially declared the changeover to the New Economic Policy.

THE ESSENTIAL FEATURES OF THE NEW ECONOMIC POLICY

The New Economic Policy spelt a sharp change in methods of economic management. The way the policy was named indicates that NEP is not a continuation of the policy conducted during the Civil War and the intervention. It was a new policy. The shift to the New Economic Policy meant the implementation of the principles developed by Lenin in his plan for building socialism in the spring of 1918. The New Economic Policy, however, was evolved with due consideration of the earlier experience and was designed to meet the demands of the new conditions that had developed following the Civil War and the repulsion of imperialist intervention.

The Basic Principles of NEP. The New Economic Policy essentially aimed to strengthen the alliance of the working class and the peasantry based on their economic association. It allowed to a certain degree the revival of the capitalist elements and their utilization in the interests of socialist construction. But its final objective consisted in gradually eliminating capitalist elements and ensuring the success of the socialist economy.

The transformation of the national economy, marked by its mixed nature, into a purely socialist economy was to proceed by utilizing market

relations in accordance with the demands of economic laws. It was a scientifically based policy deriving from the specific conditions of a given phase of socialist construction.

The basic principles of the New Economic Policy comprise: nationalization of only the principal means of production; permission for small commodity production and an all-round strengthening of the alliance between the working class and the peasantry on the basis of an economic tie-up, which requires the development of commodity circulation, i.e. commodity-money relations; permission for private capitalist enterprise and its utilization for the building up of the economy, with the basic industrial sectors (commanding heights) being controlled by the proletarian state; a policy of gradually restricting and ultimately ousting the capitalist elements; fast restoration and further development of the productive forces, with wide utilization of the principle of material and moral incentives to labour; the building up of the technical-material foundations of socialism through socialist industrialization and cooperation of small producers.

Let us examine these principles in greater detail. The socialist revolution cannot immediately nationalize all the means of production. The proletariat nationalizes vitally important industries only and takes control of the commanding heights, i.e. the principal means of production and distribution. In so doing the revolution undermines the economic might of the business monopolies. Nationalization of the key industries, the transport, banks and foreign trade lays the groundwork for the abolition of the chief

capitalist contradiction between the social character of production and the private nature of appropriation; it leads to the birth of a socialist economy, i.e. the socialist sector.

There are two reasons why the simultaneous expropriation of all means of production is impossible. Firstly, part of the means of production are the private properties of small commodity producers—peasants and artisans. Their expropriation during the revolution would have undermined the alliance of the working class and the peasantry, pushed the peasantry into the ranks of the enemies of the working class and thus led to the defeat of the revolution. Secondly, in order to prevent further economic dislocation and decline in the productive forces, the proletariat, having at the time no skilled managerial personnel, was compelled to leave for a certain period a considerable number of small and medium industries as well as public services in capitalist hands.

This means that with the triumph of the socialist revolution the capitalist relations of production are not immediately done away with, they continue to exist nearly throughout the transition period. Only gradually, as the proletariat trains its own executive and engineering work force does the state of the working people socialize the above-mentioned industries and services. Until this happens the proletariat profits from the bourgeois experts' knowledge and experience in developing the productive forces and putting the economy in order.

The alliance between the working class and the peasantry can be consolidated only if their political alliance is backed up by an economic

tie-up. And economic tie-up between the proletariat and the peasantry, between socialist industry and small-commodity farming, can be durable only if the commodity-money relations are retained and utilized. Among other things, the commodity-money relations make it possible to put to work the principle of stimulating the personal material interest of the workers and peasants in the development of production, in higher productivity, which is a principal condition for the triumph of socialism over capitalism.

The purpose of the New Economic Policy was to create conditions for the rapid expansion of the productive forces, to lay the groundwork for socialist industrialization and cooperation of farmers, to facilitate the building of a socialist society.

The Only Correct Policy in the Transition Period. Marxism-Leninism assumes the primacy of economics and the subordinate nature of politics. This means that the causes for any policy should be ultimately sought for in the economic conditions, that the economic laws determine the direction and principles of the policies pursued by any state. This does not mean, however, that politics are merely a reflection of economics. Politics inevitably reflect the interests of the ruling class and the totality of relations between the classes of a given society. And, finally, politics are determined by the external and domestic conditions of a country's development.

At the same time, the primacy of economics and the subordinate nature of politics do not exclude but presuppose a reverse process, i.e.

politics affect economics. Political power held by the working class is a potent weapon for remoulding economy and accelerating its development, an instrument for socialist construction. At the same time, any economic undertaking has political consequences. Thus, in undertaking an economic measure a socialist state must foresee the political consequences it entails. In other words, the working people's state should undertake only those economic measures that would consolidate the political positions of the working class, strengthen its alliance with the peasantry and thereby facilitate socialist construction.

The New Economic Policy was scientifically founded: it conformed to the laws governing the economy in the transition period; it took account of the country's internal and external conditions; it served to accelerate economic development; it reinforced the alliance of the working class and the peasantry and ensured the triumph of socialism and the abolition of capitalist elements in the USSR.

NEP and Mixed Economy in the Transition Period. The New Economic Policy was formulated with due consideration for the mixed economic set-up in the transition period. In his works "Economics and Politics in the Era of the Dictatorship of the Proletariat," "The Tax in Kind," etc. Lenin gave a comprehensive discussion of the economy in the transition period, which he described as follows: "Theoretically, there can be no doubt that between capitalism and communism there lies a definite transition period which must combine the features and properties of both these forms of social econo-

my. This transition period has to be a period of struggle between dying capitalism and nascent communism—or, in other words, between capitalism which has been defeated but not destroyed and communism which has been born but is still very feeble.”

Lenin's view that the economy in the transition period contains the elements of capitalism and socialism engaged in deadly battle points to the essence of the transition period and to the chief economic contradictions of that period. In the economy of the transition period, however, one finds not only the capitalist and the socialist sectors, but also other socio-economic sectors, namely 1) patriarchal (i.e. predominantly subsistence peasant economy); 2) the small-commodity sector; 3) the private capitalist sector; 4) state capitalism; 5) the socialist sector.

These five economic sectors constitute the specific feature of Russia's economy in the transition period. A similar situation may arise in other countries with underdeveloped economies during a transition period. But three sectors—socialism, capitalism and small-commodity production—inevitably exist in any country embarking upon socialist construction.

Thus, capitalism in Soviet Russia was represented by two sectors: private capitalism and state capitalism.

The socialist sector resulted from the nationalization of basic industry, transport, banks and wholesale trade. Besides state-owned enterprises, the socialist sector included cooperative undertakings run on a voluntary basis, in which

artisans in urban communities and peasants participated.

The socialist sector becomes the leading economic force from the very start despite the fact that initially it is not the predominant sector. This is due to the fact that it has control of all the basic means of production and occupies key positions in the national economy, and to the fact that the socialist mode of production is superior to the capitalist mode of production. The capitalist relations of production hold up the development of the productive forces, whereas the socialist relations of production give them unlimited scope and ensure growth rates inconceivable under capitalism.

From the very outset of the transition period the share of the socialist sector in the gross national product was significant. In 1924 it accounted for 35 per cent of the national income, 76.3 per cent of the gross industrial output, 1.5 per cent of the gross agricultural output and 47.3 per cent of the trade turnover.

The private capitalist sector included enterprises based on private ownership of the means of production and on the exploitation of wage labour. The sector encompassed small and medium industrial enterprises that had not been expropriated or were returned to their former owners with the introduction of NEP. It also included kulak holdings in the countryside.

Private enterprise in the transition period appreciably differs from that under capitalism. Under capitalism private enterprise holds key positions in all sectors of the economy; it enjoys the support of the bourgeois state. During the transition period it ceases to be predominant,

since it is confined to small and medium-sized enterprises. It no longer enjoys state support and faces replacement by the more advanced socialist sector. Nevertheless, in the beginning it plays an important role in industrial and agricultural production.

The small-commodity sector comprises poor and middle-income farmsteads as well as holdings of artisans and craftsmen. Small-commodity production is based on private ownership of the means of production and on the personal labour of the producers themselves. Small-commodity production is of a dual character. On the one hand, it is based on private ownership of the means of production and is thus related to capitalism; on the other hand, it is based on the personal labour of the producers themselves and is thus unrelated to hired labour and exploitation. Moreover, small-commodity producers are exploited by capitalists both in the urban and rural communities, which fact makes their status close to that of the proletariat.

Owing to the stratification process, small-commodity production leads to the impoverishment of the bulk of the peasantry that joins the proletariat; at the same time, it constantly and on a massive scale breeds capitalism, encouraging kulaks, traders, and usurers who grow into big capitalists. Herein lies a basic reason why it is impossible to abolish the capitalist element in a brief period following the winning of power by the proletariat. Since small-commodity production constantly breeds capitalist elements, such elements will exist as long as small-commodity production exists. Therefore the positions of the small-commodity producers are the stronger, the

weaker is rural capitalism, and consequently the more difficult the attainment of socialism. It should be noted that in the beginning the socialist revolution considerably strengthens the positions of small-commodity producers, for revolutionary transformations in the countryside promote the growth of middle-income farmsteads.

Fragmented peasant economies and the dual character of the peasant's psychology predetermined their economic instability. Everywhere peasant farmsteads depended on industry, on the character of political power and the credit system, and lagged behind the city in cultural and material development. Under capitalism small-commodity production gravitated towards the city and spontaneously developed towards capitalism. In the transition period it was affected by two basic sectors—the capitalist and the socialist, the latter, being the dominant sector, was also more influential.

The small-commodity sector is backed up by state power, i.e. the Soviets, and is influenced by its tax and credit policy. On account of this, as the capitalist city is being transformed into the socialist city, small-commodity production gravitates toward socialism. But whereas under capitalism small-commodity production spontaneously gravitates towards the capitalist cities, in the transition period it does not spontaneously gravitate toward socialism, since they rest on different foundations: the socialist sector is based on social ownership of the means of production whereas the small-commodity sector rests on private ownership of the means of production. Therefore small-commodity production can

develop towards socialism only under the influence of the socialist city and the leadership of the proletariat.

The rural population of Soviet Russia lived under patriarchal, i.e. mainly subsistence, economy. This type of economy prevailed in the outlying districts of Russia, inhabited by many non-Russian peoples. Here 25 million people were engaged in agriculture, and 6 million in stock-raising. In 1923-24 subsistence economy accounted for a mere 0.6 per cent of the gross national product. Nevertheless, it constituted an important social force which had to be reckoned with. As the economy began to advance during the transition period, subsistence economy was rapidly drawn into commodity circulation and transformed into small-commodity production, and after that, together with the latter, it became part of the socialist economy.

State capitalism is the fifth socio-economic sector that existed in Soviet Russia. State capitalism during the transition period basically differs from state monopoly capitalism. State monopoly capitalism comprises large capitalist amalgamations (monopolies) which in a way merge with the bourgeois state and control the state apparatus.

The politico-economic content of state capitalism of the transition period is different. State capitalism during the transition period is not represented by monopolies but by individual capitalists. And what is most important, the state does not do the bidding of the capitalists; on the contrary, capitalism is controlled by the socialist state and is used for accelerating socialist construction.

Such are the five socio-economic sectors that made up Soviet economy in the transition period. The national economy in the transition period may be said to represent the unity of conflicting economic sectors that are closely intertwined but do not form a harmonious whole. They form a unity in the sense that taken separately, none is wholly independent or could exist or develop without maintaining close links with the other sectors. For instance, socialist industry cannot develop without food-stuffs and raw material, which in the initial period are produced mainly by the small-commodity and the capitalist sectors. The small-commodity sector, on the other hand, cannot develop without farm implements, mineral fertilizer, chemicals, etc. which are provided by industry, i.e. by the other three sectors.

The economy of the transition period is not only united; it is also contradictory, since its principal sectors (socialism and capitalism) develop in diametrically opposite directions. Moreover, the socialist sector, as it advances, undergoes a grim struggle against the capitalist sector, which leaves no room for compromise. The development and consolidation of the socialist sector means the weakening and decline of the capitalist sector. And the complete victory of socialism means the abolition of capitalism.

The multiformity of the transition economy demanded that the Soviet state pursue a rather flexible policy which would, firstly, ensure unity of the economy and establish proper and durable links among the economic sectors; secondly, take into account the contradiction between the socialist and the capitalist sectors and create

conditions for the triumph of socialism over capitalism; and thirdly, facilitate the socialist remoulding of the small-commodity sector. Such a policy was the New Economic Policy worked out by Lenin.

Class Structure in the Transition Period. For a better understanding of the transition economy it is necessary to examine the classes represented by the five socio-economic sectors. According to Lenin's definition, classes are large groups of people differing from each other by the place they occupy in a historically determined system of social production, by their relations (in most cases fixed and formulated by law) to the means of production, by their role in the social organization of labour, and, consequently, by the size of the share of social wealth of which they dispose.

Corresponding to the three forms of the national economy: socialism, capitalism and small-commodity production, there are three principal classes in the transition period: the proletariat, the bourgeoisie and the peasantry. Class structure of the transition period essentially differs from that under capitalism. In the transition period the classes change their status in the system of social production; their relation with respect to the means of production changes (and has already changed in large measure), their role in social labour organization also changes. Methods of earning an income and the size of incomes also change materially.

In overthrowing the capitalist system and nationalizing the principal means of production, the socialist revolution abolishes the politico-economic domination of the capitalists. With the

loss of power and all basic industries the class of capitalists retains enterprises of secondary importance only. That it is no longer the dominant nor leading class in society constitutes the chief change which the capitalist class undergoes following the socialist revolution.

Owing to nationalization of the major industries, the relation of the bourgeoisie to the means of production changes. The class of capitalists is still in possession of the means of production as they were under capitalism. But while in capitalist society the bourgeoisie is the owner of all the large industrial enterprises, in the transition period it is no longer the sole owner, and all key industries are taken away from it.

The role of the capitalist class in the organization of social labour in the transition period changes radically. In capitalist society, particularly during the initial period of its development, the bourgeoisie is the organizer and leader of production. Later, as capitalism advances and enters the stage of imperialism, the big bourgeoisie for the most part gradually ceases to steer production directly. Management is being taken over by hired specialists. This, as Lenin pointed out, is one of the signs of capitalist parasitism and decline. But the leading role of the bourgeoisie in the organization of social labour under capitalism remains significant.

In the transition period the bourgeoisie is forever deprived of its leading role in the organization of social labour. The leadership is taken over by the proletariat and is exercised by the latter through the socialist state. But the bourgeoisie still plays a certain role in the organiza-

tion of production, since it manages production at the enterprises belonging to the capitalist sector. As has been shown above, the socialist state cannot immediately oust the bourgeoisie from the organization of social labour, since the proletariat at the initial stage does not have its own cadres trained in industrial organization. And while the latter are in the process of being trained, the proletariat will inevitably employ capitalist elements and bourgeois experts and learn from them all that is positive in the capitalist organization of social labour.

The ways of deriving capitalist profit and the size of such profit fundamentally change in the transition period. The bourgeoisie continues to be enriched by surplus value resulting from the exploitation of labour as it did under capitalism. But in the transition period only those workers are exploited who work at capitalist enterprises. Consequently, only the labour of these workers is a source of surplus value enriching the capitalists. Moreover, under capitalism the proletariat is an object of unbridled exploitation, whereas in the transition period the socialist state restricts capitalist drive for profits, controls the employment and exploitation of labour through acts of law, and makes use of the tax and credit system to curtail capitalist profit.

The status of the working class radically changes from the very outset of the transition period. Having taken political power and the commanding heights in the economy, the proletariat ceases to be an oppressed and exploited class and becomes the dominant and leading force in the new society. This is the most important change the proletariat undergoes. It pre-

determines the essentially new role of the working class in the system of social production in the transition period. Having nationalized the principal means of production, the working class begins to organize the masses and draw them into the struggle for a new, socialist system of production.

The relation of the proletariat to the means of production undergoes a basic change. The proletariat ceases to be a class deprived of the means of production as it was under capitalism; in the new conditions it becomes, together with the other working strata, a collective owner of the principal means of production. Its role in the organization of social labour also changes. In the transition period the proletariat becomes the leading force of production. The essentially new role of the proletariat in the organization of social labour is manifested in the fact that the proletariat directs the national economy through its own socialist state. It is also manifested in the fact that all key positions in industry are filled by working class representatives and that the masses take an active and direct part in the organization of social labour. Under capitalism the proletariat is unconcerned about labour organization since the capitalists reap all the profit. In the transition period the working class is interested in improving labour organization and production because the working people derive all the benefits from such an improvement. The masses are therefore most actively engaged in creating a new labour organization. Their creative activities help to direct the national economy.

Methods of obtaining an income and the size

of incomes also change basically. In capitalist society the working class, deprived of the means of production, sells its labour to the capitalist in order to subsist. The worker's labour is the only source of his existence. Things take a different turn during the transition period. The working class, all working people own the basic industry, all commanding heights. The workers of the socialist sector do not sell their labour; they work for their own welfare. They derive their income from labour expended on themselves and their socialist state. The size of incomes for these workers is determined by the amount and quality of the labour expended, and not by the cost of labour. The workers at capitalist enterprises are still compelled to sell their labour. But the sale and purchase of labour is now controlled by the socialist state. The rate of exploitation drops, and wages go up. Furthermore, the sale of labour no longer constitutes the sole source of income for the workers hired by private capital. The working population now has such social benefits as free medical service, free education, etc. Thus the ways of earning an income in the transition period change substantially, particularly in the case of workers engaged at socialist enterprises.

The size of workers' incomes also changes greatly. In the capitalist society a considerable part of the national income is spent through parasitic consumption by the ruling class. In the transition period the bulk of the national income is used for the working people's personal consumption, while the remainder goes to expanding socialist production. Only a small share is given to the capitalists as profits.

The status of the peasantry changes fundamentally in the transition period. In the capitalist society the peasantry is an intermediate class between the bourgeoisie and the proletariat. The peasant is a private owner, and in this sense he is related to the bourgeoisie. But unlike the bourgeoisie, he owns unimportant, subsidiary means of production.

The peasantry as a class of petty-property holders is a heterogeneous mass. The bulk of the peasantry is poor and possesses little land; a considerable portion has neither land, nor farm implements, nor draught animals and must seek employment from the kulaks. They form the rural proletariat. Other peasants are better provided with land, farm implements, and draught animals, and they manage somehow to make both ends meet and even sell some products on the market. They are the middle income peasants. The rich peasants hire farm labourers to till the land and raise animals. They are the rural capitalists or kulaks. Of Russia's pre-revolutionary farmsteads 65 per cent were owned by poor peasants, 20 per cent by middle peasants, and 15 per cent by kulaks. Between 1928 and 1929 the picture changed entirely: poor peasants constituted 35 per cent, middle peasants—60 per cent, while kulaks—a mere 5 per cent.

These figures reflect basic changes in the class structure in the countryside: the poor peasants gradually turned into middle income peasants.

The peasantry in the transition period (except the kulaks) is still an intermediate class: as property holders they are related to the bourgeoisie; as labourers they are related to the proletariat. Yet the position of the peasantry has changed

substantially, as we have seen. Having received land from the socialist state the poor peasants began to turn into middle income peasants. The majority of the peasants were no longer poor and were given an opportunity to work for themselves. Thus the peasantry gained more from the revolution than any other sector.

The land reform, free distribution of the landlords' land, free farm machinery, draught animals—all this served to strengthen the alliance of the working class and the peasantry. The poor and middle peasants became a reliable ally of the working class in the struggle for socialist construction. The Russian proletariat, however, in the course of building socialism, has always taken into consideration the peasant's dual nature. As a labourer, the peasant is a staunch ally of the working class in the struggle against the capitalist elements. As a proprietor, he wants to grow rich and shows private capitalist tendencies. Therefore the Soviet state differentiates, on the basis of Lenin's teaching, between the peasant-property owner, the peasant-labourer, and the peasant-profitier. In this differentiation, according to Lenin, lies the very essence of socialism. Both in the course of the revolution and in the transition period the proletariat learns to properly combine personal peasant interests with those of society as a whole, subjecting personal interests to the social. The correct policy pursued by the proletariat made small owners true allies of the proletariat in the building of the new society.

Characteristic Features of the Class Struggle in the Transition Period. The contradictory unity of the transition economy shows up in the relations of the classes. This unity lies in the close

economic ties linking the working class, the peasantry and the bourgeoisie. The contradictions arise from the antagonistic class struggle between the proletariat and the bourgeoisie.

The class struggle in the transition period basically differs from that under capitalism. In the capitalist society the proletariat is a class economically and politically oppressed and struggles against the exploiters with a view to toppling the bourgeois dictatorship and establishing its own dictatorship. In the transition period the working class becomes the dominant force in society and begins to wage a struggle for the eventual abolition of the exploiting classes. The overthrown bourgeoisie, in turn, fights to restore capitalism, to regain power, to get back its lost factories, plants and mines.

The class struggle in the transition period takes place in the political, economic and ideological spheres. The victory in the Civil War and the repulsion of imperialist intervention shifted the centre of gravity in the class struggle to the economic sphere. The economic struggle between the working class and the bourgeoisie manifests itself in the peaceful competition between capitalism and socialism for the achievement of higher labour productivity, for better organization of production and distribution. It is reflected in the policy of restricting and eventually eliminating the capitalist elements. On the economic successes of socialism depends all further development: the strengthening of socialist production relations, the weakening and abolition of capitalist production relations.

The political struggles waged by the proletariat aim at strengthening its dictatorship as the

overthrown class of capitalists seeks to regain power. The bourgeoisie sabotages the economic and political undertakings of the socialist state in an attempt to discredit Soviet policies, to subvert the alliance between the working class and the peasantry; it conspires against the Soviet state and incites counter-revolutionary mutinies.

The working class struggles to consolidate its alliance with the peasantry. It punishes saboteurs, exposes attempts to discredit the policies of the socialist state, and suppresses armed counter-revolutionary sallies whenever they might occur. In short, the dictatorship of the proletariat is a weapon of the class struggle waged by the workers against the bourgeoisie.

Political struggles in the transition period become more intense whenever the bourgeoisie attempts to restore its dictatorship. The fact that the economic struggle is the principal form of the class struggle in the transition period does not rule out the possibility that political struggles may take precedence at a certain stage and decisively influence the destiny of socialism, as was the case in the USSR in the period of War Communism. In a peaceful period political struggles may prove decisive, as was the case in Hungary during the attempted counter-revolutionary takeover in 1956.

Ideological struggles do not merely manifest themselves as the struggles of the proletarian ideology against the capitalist ideology; they are also spearheaded against the penetration of the bourgeois ideology into the working class, against Right-Wing and Left-Wing opportunism and revisionism which under cover of revolutionary slogans try to push the proletariat off the

correct path in order to facilitate the restoration of capitalism.

Ideological struggles also take place in the sphere of political education of the masses, whose purpose is to eradicate survivals of capitalism in peoples' minds, to inculcate the new, socialist morality and to build up state discipline. The proletariat not only must overcome the resistance of the bourgeoisie, but must also fight against many traditions and habits of the people that have developed over a period of several centuries. "Doesn't the class struggle in the epoch of the transition from capitalism to socialism", said Lenin, "take the form of safeguarding the interests of the working class against the few, the groups and sections of workers who stubbornly cling to capitalist traditions and continue to regard the Soviet state in the old way: work as little and as badly as they can and grab as much money as possible from the state." The old habits could seriously endanger the socialist order, and therefore the struggle against them, with the backing of the power of the dictatorship of the proletariat, can become in certain conditions the chief form of the class struggle. Lenin characterized the struggle waged by the proletariat against the vestiges and traditions of the old society as a stubborn struggle, at once sanguinary and bloodless, violent and peaceful, military and economic, educational and administrative.

Economic, political and ideological struggles in the transition period are interrelated with one another and complement one another. If the proletariat underestimates any one of these forms of the class struggle, it will weaken its positions and bolster up the positions of capitalism. The

New Economic Policy took account of and reflected the class structure in the transition period and the peculiarities of the class struggle at this stage. The New Economic Policy itself was a form of the class struggle between the proletariat and the bourgeoisie, designed to ensure the triumph of socialism over capitalism.

The specific feature of NEP as a form of class struggle consisted in that it shifted the centre of gravity to the economic sphere. During the revolution, the Civil War and the imperialist intervention, Soviet power defeated the bourgeoisie on the battleground; under the new conditions the proletariat was to overpower the bourgeoisie on the economic front. For this purpose it was necessary to master production at the nationalized enterprises, to organize socialist distribution. In this struggle the proletariat was to demonstrate that it was capable of creating a mode of production superior to that of capitalism. As is known, capitalism defeated feudalism by ensuring higher labour productivity. Socialism will finally win when it achieves higher labour productivity than capitalism.

The New Economic Policy was designed to ensure a high rate of labour productivity, which was indispensable for the triumph of the new social system. It was designed to demonstrate the superiority of the socialist mode of production over the capitalist mode of production. Thus the Soviet state gave much attention to economic levers for managing production, to economic and moral incentives to labour both in the city and the countryside. As a form of the class struggle, the New Economic Policy aimed to establish the proper relations between the state and the pea-

santry. NEP signified a new stage in the struggle between the proletariat and the bourgeoisie to win over the peasantry. The economic tie-up of the proletariat and the peasantry was planned on the basis of the dual nature of the peasantry, and designed to meet the interests of the peasants both as labourers and as property-holders. Such a policy cemented the alliance of the working class and the peasantry and undermined all bourgeois attempts to win the peasantry to its side.

The New Economic Policy as a form of the class struggle helped to make use of capitalist elements to fight against the capitalist sector by developing the productive forces as quickly as possible. By using capitalist elements in the interests of socialist construction, the New Economic Policy at the same time restricted the capitalists' drive for profits and set in motion all economic levers for their gradual elimination as the necessary economic conditions matured.

The shift of the centre of gravity in the class struggle under NEP does not rule out but, on the contrary, leads to the intensification of the political and ideological struggles against the bourgeoisie.

NEP and Commodity-Money Relations. With the introduction of the New Economic Policy and the advent of the transition period, the question of the system of commodity production came to be viewed differently. As is known, Marx and Engels considered the problem of communism and commodity production in a most general way. They believed that communism was incompatible with commodity production. They explained why it was necessary to destroy the economic foundations of commodity production and liquidate

commodity-money relations under communism, but they did not and could not deal with the concrete ways, methods and speed of achieving that goal. Moreover, Marx and Engels believed that there would be no commodity production under socialism and that material wealth would be distributed directly without the agency of money.

Influenced by these notions, Marxists came to believe that the socialist state would be able to eliminate quickly commodity production and money circulation. Such a view was widely held in the young Soviet Republic. The policy of War Communism which led Party and State workers to treat the problems of the commodity-money relations lightly and superficially and to exaggerate the significance of direct distribution of goods did much to give currency to this view.

In working out the principles for the New Economic Policy, Lenin further developed the concepts of commodity production under socialism on the basis of the actual experience of socialist construction. Lenin concluded that the liquidation of commodity production and commodity-money relations would take a longer period than had previously been expected. Commodity production and money circulation cannot be abolished by decree; they will cease to exist when the economic foundations on which they rest are destroyed. In his work "On the Importance of Gold Now and After the Complete Victory of Socialism," Lenin warned against attempts to "abolish" the commodity-money relations by revolutionary methods. He linked the problem of commodity-money relations with the achievement of basic technical and organizational changes and with the maturing of economic conditions.

The fact that commodity production and commodity-money relations retained their validity meant that the socialist state was faced with the task of mastering the instruments and categories of commodity production such as commodity, value, money, price, credit, etc. It was necessary to transform these from being the instruments of bourgeois rule, as was the case under capitalism, into the weapons for fighting the capitalist elements, into the levers of socialist reconstruction of the economy.

What does the phrase "to master the instruments of the commodity-money relations" mean? How can one make commodity production serve socialism? The utilization of commodity-money relations by the socialist state does not mean the return to the market economy of capitalism under which the market is the sole regulator of economic development. Under socialism commodity-money relations have a basically new content. That is, the old capitalist forms are still utilized, though their nature has essentially changed.

The conscious and consistent utilization of the laws, categories and instruments of commodity production by the socialist state encountered objective difficulties arising from the multiplicity of the economic sectors. The heterogeneous and contradictory nature of the transition economy was reflected in the heterogeneous and contradictory character of commodity-money relations. Each of the three principal economic sectors had its own form of commodity production with its own specific commodity-money relations.

In the socialist sector commodity production was based on the social ownership of the means of production. It was free of the exploitation of

man by man and reflected relations characterized by cooperation and mutual assistance among the socialist commodity producers. In this sphere the laws of commodity production—the law of value, price formation, supply and demand—no longer operated spontaneously, but were purposefully utilized by the socialist state which consciously fixed prices, distributed production, determined the proportions and growth-rates of whole industries of the state sector.

The nature of such basic categories of commodity production as commodity, money, and credit changed radically. Commodity ceased to be a carrier of surplus value, a product of wage labour. And thus the sales of commodities produced at the socialist enterprises did not strive for the realization of surplus value. Production and marketing of commodities came to serve an essentially new objective—the chief objective of socialist production: the satisfaction of the constantly growing material and cultural requirements of the working masses.

Analyzing the essential changes which commodity produced by socialist enterprises had undergone, Lenin wrote: "...the manufactured goods made by socialist factories and exchanged for the food-stuffs produced by the peasants are not commodities in the politico-economic sense of the word, at any rate, they are not only commodities, they are no longer commodities, they are ceasing to be commodities." The nature of money also changed. It ceased to be capital, a means of exploitation. Credit also ceased to be loan capital and was employed by the socialist state as a mechanism for accounting and control over the operation of self-financing enterprises,

as a means of raising the effectiveness of the utilization of capital goods placed by the state at the disposal of a given enterprise.

In the private capitalist sector commodity production was still based on private property and reflected the relations of the exploitation of man by man. The laws of commodity production continued to operate as a spontaneous and blind force dominating the people. Production and distribution obeyed the law of surplus value. Money continued to be capital, a means of exploitation. In short, in the private capitalist sector the categories and instruments of commodity production changed little. And yet, commodity-money relations in the private capitalist sector during the transition period must not be identified with those under capitalism. The spontaneous operation of the economic laws within the confines of this sector was appreciably restricted owing to the influence of the socialist economic sector and the role of the socialist state as the regulator. Thus the spontaneous price fluctuations for goods marketed by the capitalist enterprises were restricted owing to the stable prices for goods manufactured at the socialist enterprises. Besides, the state controlled private investments, fixed workers' wages and prohibited the free channeling of capital from sector to sector thereby preventing capitalist rivalry from plunging social production into a state of anarchy. The socialist state also used the credit and tax system for restricting and gradually eliminating the capitalist elements.

In the small-commodity sector commodity-money relations were based on private ownership of the means of production and the personal labour

of the producers. The categories and instruments of the commodity-money relations in this sector corresponded to the nature of simple commodity production. The sector was governed by spontaneously operating laws.

But simple commodity production in the transition period cannot be identified with simple commodity production under capitalism. The economic tie-up of the small-commodity sector with socialist industry greatly influences the operation of the commodity production laws and the nature of the commodity-money relations in that sector. This is reflected, firstly, in the restriction of spontaneous price fluctuations. Thus in the transition period the socialist state, being the main buyer of farm produce, began to maintain a certain price stability. The state resorted to its credit and tax policies to restrain the law of economic differentiation of small commodity producers. The state did not allow a few to get too rich and turn into capitalists; just as it prevented masses of peasants and artisans from being ruined. But simple commodity production was also affected by the capitalist sector, and therefore there still existed the danger of certain sections of the toiling peasantry going bankrupt. And the economic laws still operated spontaneously, which disorganized economic development to a certain extent.

The three principal spheres of commodity-money relations are not isolated from one another but are closely interrelated. The integrity of the transition economy was assured through retention and employment of the commodity-money relations. Trade furnished the main economic link between them. But the utilization of commodity-money relations by the socialist state was dictat-

ed not only by the necessity to ensure the integrity of the transition economy but also by the need to organize social production and distribution on the scale of the entire national economy.

The utilization of the commodity-money categories for mastering a planned organization of production and distribution on a nationwide scale ran counter to the spontaneously operating economic laws of commodity production in the capitalist and the small-commodity sectors. Thus the still more effective utilization of commodity production mechanisms by the socialist state was largely dependent on the speed at which the further restriction and the elimination of the capitalist elements proceeded, on the socialist reconstruction of the entire economy. The complete triumph of the socialist relations of production in all spheres of the economy changed the nature of commodity-money relations across the country and opened up possibilities for the comprehensive utilization of the commodity production mechanisms in the interests of planned communist construction.

The International Importance of the New Economic Policy. The basic principles of the New Economic Policy are important both nationally and internationally. Pointing to the international importance of NEP, Lenin wrote the following: "This task which we are working on now, for the time being on our own, seems to be a purely Russian one, but in reality it is a task which all socialists will face. . . . The new society, which will be based on the alliance of the workers and peasants, is inevitable. Sooner or later it will come—twenty years earlier or twenty years later—and when we work on the implementation

of our New Economic Policy we are helping to work out for this society the forms of alliance between the workers and the peasants."

The New Economic Policy is not an exclusively Soviet phenomenon, because the need for it arose from the objective economic laws and principles of the transition from capitalism to socialism, from the multiformity of the transition economy and the specific features of the class struggle following the overthrow of the bourgeoisie. However different the economic and political conditions may be in different countries entering upon socialist construction, the general features of the economy as well as the laws whereby the country is transformed into a socialist state, remain the same. Therefore the policies pursued by the socialist states, which derive from the need to transform a capitalist economy into a socialist one, are bound to have much in common.

The extent to which the basic principles of NEP could be applied is bound to vary from country to country. It depends on the concrete historical conditions in which the revolution takes place and, first and foremost, on the level of the development of the productive forces, on the degree to which the production relations of capitalism have matured. As a policy aiming to cement the alliance of the working class and the peasantry on the basis of an economic tie-up between the city and the countryside, NEP is fully applicable in countries with a moderately developed capitalism, in which small-commodity production either holds complete sway or is a dominant economic structure, as was the case in the USSR. In such countries trade stands out as the most important form of the economic tie-up.

But even in the highly advanced capitalist countries, such as Britain, where the peasantry is not a numerous class or has nearly ceased to exist as a class, and where consequently the problem of an alliance between the working class and the peasantry is not a crucial issue as it was, say, in old Russia or will be in other countries with a moderately or feebly developed capitalism, even in such countries most of the NEP principles will apply in the transition period. Socialist nationalization in such countries will most probably be spearheaded against the monopoly bourgeoisie. A portion of the enterprises owned by the petty and middle bourgeoisie will continue to be privately owned for a more or less lengthy period. Thus the NEP principles according to which the capitalist elements should be employed and at a later stage restricted and finally eliminated will be applied in such countries as well.

The principle of utilizing the commodity-money relations in socialist construction is of universal importance. In countries in which peasant small-commodity production has disappeared in the main, commodity production and commodity-money relations at that stage are necessitated by the need to establish economic links between the socialist and the capitalist sectors.

Furthermore, and this is of paramount importance, it will be necessary to utilize the commodity-money relations for ensuring profitable performance of the socialist industries and for the distribution of material wealth according to the socialist motto: "from each according to his abilities, to each according to the quantity and quality of his labour."

That NEP is internationally important does not

mean that it should be mechanically applied in any country. It comes to the creative implementation of this policy by the Workers' and Communist parties of other countries. These parties must take into account the concrete situations existing in their respective countries and decide which NEP principles should be applied and to what extent.

Socialist construction in countries that have adopted the socialist system fully bears out Lenin's words that NEP is important internationally. The principles of NEP are in various degrees applied in all socialist countries. The peasantry is fairly numerous even in the most advanced socialist countries, such as the German Democratic Republic and the Czechoslovak Socialist Republic. This circumstance alone necessitates the broad and creative application of the chief principles of NEP in all the socialist countries.

In applying these principles to concrete realities, the Communist and Workers' parties of the socialist countries creatively develop and enrich the theory and practice of socialist construction.

THE STRUGGLE FOR THE IMPLEMENTATION OF THE NEW ECONOMIC POLICY

Principal Economic Measures. The change from the policy of War Communism to the New Economic Policy in this country was accompanied by a number of extraordinarily important socio-economic measures. They radically changed class relations as well as the forms and methods of economic management that were used during the Civil War and the imperialist intervention.

The most important measure was the replacement of the surplus-requisitioning system by a tax in kind. The size of the latter was determined so as to ensure the deliverance of the necessary amount of food-stuffs to the urban population. Meanwhile the peasants retained a considerable share of farm products. The size of the tax in kind between 1921 and 1922 was two times less the surplus-requisitioning quota for 1920-21.

The surplus-requisitioning system and the tax in kind differed from one another not only quantitatively but also qualitatively. The tax in kind was fixed prior to spring sowing. This provided the peasant with the material incentive to increasing production, since all products that remained after the tax was paid remained his. The tax varied depending on peasant incomes. The bulk fell to the kulaks and the well-to-do. The tax was reduced for those households which expanded crop areas and raised labour efficiency.

The abolition of the surplus-requisitioning system and the introduction of the tax in kind were the only ways to strengthen the alliance of the working class and the peasantry. In introducing the tax the Soviet government took into account the dual nature of the peasantry. As a labourer interested in socialist construction the peasant willingly gave up part of the products (in tax) for the needs of the socialist state. But after deductions the peasant kept the greater part of the farm products which he consumed and sold on the market. In this sense the tax served the interests of the peasant as an owner. And thus the peasants' public and personal interests were united, a fact which facilitated the building of socialism.

By its socio-economic content, the tax in kind represented a transition measure designed to lead to the change from the appropriation of farm surpluses to an equitable exchange of these surpluses for manufactured goods. Such a change was prevented from being effected by the inadequate level of development of the industrial productive forces and the heavy damages caused by World War I, the Civil War and the imperialist intervention. It was for this reason that the Soviet government introduced the tax in kind, which met the society's minimum demands. But the government intended to reduce the tax as the economy advanced and gradually switch over to the exchange of peasants' surplus products for manufactured goods.

The shift to the New Economic Policy involved another measure of great importance: the lifting of the ban on commodity-money relations—i.e. trade. In the period of War Communism private

trade was prohibited; under NEP such prohibition was no longer possible. For the peasants still held a goodly portion of surpluses after the tax had been paid. Thus the tax presupposed an exchange of these surpluses on the market for manufactures.

The lifting of the ban on trade was directly linked with the economic tie-up between the city and the countryside, for trade is the concrete form in which the economic tie-up between the city and the countryside is realized; trade accords with the interests of the peasant as an owner. Since a farmer is the owner of whatever he produces, the only admissible way of taking away his products is to exchange them for the goods he requires through sale and purchase. Outright expropriation of products created by personal labour or a non-equivalent exchange conflicts with the peasant's interests and causes him to lose interest in the results of his labour. This, in the final analysis, is detrimental to the alliance of the peasantry and the working class. But trade, as the form in which the economic link between the many millions of petty landowners and the basic industry is realized, provides for the strengthening of this alliance.

The change from the policy of banning trade to the lifting of the ban was carried out gradually as experience was being accumulated. Initially the socialist state attempted to establish the economic tie-up with the peasantry through direct exchange of commodities (barter) without the agency of money, based on specially worked out commodity equivalents. In March-April, 1922, Lenin concluded that it was necessary to permit small-scale private trade. He proposed the decree

"On Exchange" which permitted that trade. This, however, turned out to be insufficient. Lenin then suggested that direct exchange be replaced by full-scale trade. He wrote: "A number of decrees and decisions, a vast number of newspaper articles, all our propaganda and all the laws passed since the spring of 1921 have been directed to the purpose of stimulating commodity exchange. What was implied by that term?... It implied a more or less socialist exchange, throughout the country, of the products of industry for the products of agriculture, and by means of that commodity exchange the restoration of large-scale industry as the sole basis of socialist organization. But what happened? ... that this system of commodity exchange has broken down; it has broken down in the sense that it has assumed the form of buying and selling..."

Take the trouble to adapt yourselves to this; otherwise, you will be overwhelmed by the wave of spontaneous buying and selling, by the money system!"

Thus life itself showed the need for permitting trade and commodity-money relations.

The replacement of the policy of War Communism by the New Economic Policy also implied a certain activization of capitalist elements in the small industries and trade. The total nationalization of industry during the Civil War and the imperialist intervention meant that all enterprises were taken away from the bourgeoisie, including those which the proletariat was then incapable of running. But the fact that these enterprises had to stand idle impeded economic development and hampered the organization of the economic tie-up with the peasantry. Since the working class was

short of executives, engineers and technicians, it was decided to decentralize small-scale industries and to turn them over to capitalists in order to rapidly organize the production of commodities needed for the exchange for farm produce.

Furthermore, it was decided to lease a number of previously nationalized medium-sized enterprises to domestic and foreign capitalists. This turned out to be a wise decision. The point is that the development of small-commodity production led to the emergence of bourgeoisie on a growing scale. The task of the Soviet government was to prevent the newly emergent capitalism from becoming a dangerous force and to direct it into the channels of state capitalism where it could easily be controlled by the state. While conditions for the total elimination of capitalist elements were still in the process of maturing, the socialist state could benefit from their experience and knowledge in managing industry and trade.

In his work "The Tax in Kind" Lenin gave a thorough explanation of the need for permitting state capitalism in the transition period. According to Lenin, the legalization of state capitalism is particularly desirable in those countries in which small-commodity production holds an important place. It is desirable, firstly, because through state capitalism the proletariat can employ the most experienced portion of the bourgeoisie for organizing production; secondly, because state capitalism, by controlling (through accounting) small-commodity producers objectively facilitates the establishment of state control over small-commodity production; lastly, because state capitalism, by organizing major enterprises and promoting accounting and control over the

production of small producers and the distribution of their products, lays a material basis for socialism. At the same time, Lenin pointed out the need for establishing strict control over state capitalism in order to ensure the transformation of capitalist-owned enterprises into socialist enterprises.

Concession or the leasing of industrial enterprises to capitalists on conditions profitable for the proletarian state, represented the most common form of state capitalism in this country.

Another form of state capitalism was leasing according to which private capital rented farmlands, woodlands and waters for prospecting for mineral wealth or other similar undertakings. This form of state capitalism was particularly profitable, since it was relatively easy for the state to control these undertakings, whereas the methods and ways of transforming them into socialist concerns were clearcut. On the expiration of the term specified in the contract or in the event of cancellation of the contract by either party, these capitalist undertakings were automatically expropriated by the proletarian state.

State capitalism in the USSR did not develop sufficiently to become profitable for the Soviet authorities. The home and foreign bourgeoisie did not choose to cooperate on an extensive scale with the socialist state. Persuaded by imperialist propaganda that forecast the inevitable and rapid collapse of the Soviet government, the big capitalists did not wish to invest in the economic development of the Soviet Union. Thus in 1923-24 the state capitalist sector accounted for merely one per cent of the country's production.

The implementation of the New Economic Policy was accompanied by the renunciation of excessive centralization in industrial management characteristic of War Communism and the extension of the rights of enterprises. During the Civil War production was largely built up on the strength of the revolutionary consciousness and enthusiasm of the masses as well as on methods of coercion with regard to enemies of the working class and the backward sections of the population. Under NEP Lenin considered it necessary to provide for economic incentive in labour.

Simultaneously, many state-owned enterprises were being shifted to a cost-accounting basis, which represented one way of implementing the principles of providing for collective material incentive to labour. The practice of indiscriminately financing state enterprises in the period of War Communism from state budget allocations, regardless of the results, proved inefficient, as it did not stimulate the interest of the personnel in achieving the most rational utilization of the facilities and means furnished by the state. This adversely affected the development of production and labour efficiency.

The cost-accounting system rested on a self-financing basis. The enterprises were to pay their way; proceeds from the sales were to compensate for production losses. In these conditions the enterprises could compete on the market enjoying a certain degree of economic independence.

Cost accounting is a system of relations between the state and the state-owned enterprises in which the latter enjoy certain operational economic latitude and are provided with material incentive to boosting production. Meanwhile the

state controls the economic activities of the enterprises. Cost accounting fully corresponds with the conditions of commodity-money relations. This led Lenin to believe that it was necessary, as part of the New Economic Policy, to shift state-owned enterprises to the cost-accounting system, which in Lenin's opinion would inevitably become the predominant if not the only system in the near future. The correctness of this forecast has been proved by the experience in socialist construction in the USSR. Cost accounting became an important mechanism for controlling socialist enterprises not only in the transition period but in a developed socialist society, as it gradually went over to the building of communism.

But though cost accounting has been retained under socialism and during the transition from socialism to communism, its nature has changed. Nowadays cost accounting does not have those features which in the transition period ensured the necessary flexibility of state measures directed against capitalist elements.

The decisions of the Plenary Meeting of the CPSU Central Committee held in September 1965 laid the groundwork for the current economic reform aimed at advancing cost accounting and increasing the role of material and moral incentives. The implementation of full-scale cost accounting is being interpreted by bourgeois critics as all but a return to NEP, even as a step towards capitalism. This is wishful thinking. For the greater attention paid to profitability and material incentive means the replacement of the administrative by the economic method of management. It is in accordance with the principles

outlined by Lenin, concerning the organization of socialist production, namely, that it must take full account of economic laws. The current economic reform is not a return to NEP; it represents a new stage in the process of improving economic management. NEP was designed for the transition period, it allowed the capitalist elements a certain amount of economic freedom while at the same time creating the material and technical foundations of socialism. The current economic reform does not permit the revival of capitalism; it is designed to accelerate the creation of the material and technical foundations of communism.

The Beginning of Economic Rehabilitation Under NEP. The introduction of NEP provided favourable conditions for the rehabilitation of the Soviet economy. But in order to achieve this it was necessary to mobilize the workers and peasants for increasing of production. The Communist Party and the Soviet government started full-scale organizational activities towards this end.

The so-called communist subbotnik, i.e. unpaid volunteer labour done after working hours, a practice which first appeared towards the end of the Civil War, became widespread in the country. This showed the great labour enthusiasm and revolutionary consciousness of the workers.

Communist subbotnik helped to rebuild railways, repair locomotives, distribute food-stuffs and raw materials for urban communities, rehabilitate factories.

The Soviet government fully realized the significance of subbotnik. But it regarded as its main task that of organizing the working day at fac-

tories and raising labour efficiency. For this purpose it introduced material incentives as a complement to the revolutionary enthusiasm of the masses. Thus the uniform rationing system and the free use of communal services were cancelled and replaced by payment based on the quantity and quality of work. In other words, with the shift to NEP the state-owned enterprises in the country began to implement the principle: "From each according to his abilities, to each according to his work." Simultaneously conscious labour discipline was being fostered. These measures quickly yielded positive results: labour efficiency rose, absenteeism became rare, production went up. The following figures illustrate the improvements in labour efficiency: in 1921 the average annual production output per factory worker was 2.5 times below the 1912 figure, whereas in 1925 it reached 92.3 per cent of that for 1912.

The country's economic rehabilitation during those trying years largely depended on agriculture. Along with the development of the industries great attention was paid to agriculture.

Material incentives considerably helped to raise farm production. On the whole the growth-rates in agriculture exceeded those in industry. In 1922 the grain output amounted to 70 per cent of the prewar level. The rehabilitation of farming created favourable conditions for improving the standard of living of the workers and peasants and providing industry with raw materials.

These transformations gave the lie to accusations by "Left Communists" who opposed the Party policy giving priority to the rehabilitation of agriculture. "What kind of workers' power is

this, if it starts with improving the lives of the peasants instead of the workers!" they said. They accused Lenin of betraying working class interests and siding with the petty bourgeoisie. Lenin and the Communist Party realized, however, that at that particular historical moment the only way of achieving the workers' well-being was through improving the lives of the peasants, that it was impossible to raise the workers' living standards without rehabilitating agriculture, which inevitably led to higher living standards for the peasantry.

Utilization of Commodity-Money Relations by the Socialist State. The fact that commodity-money relations were allowed to develop as a means of strengthening the economic tie-up between the city and the countryside did not mean that trade was left uncontrolled. The Soviet state permitted trade but kept it within certain limits and under control. Without restriction and control over commodity-money relations, to allow free trade, free market, as well as market relations would be tantamount to restoring capitalism. The uncontrolled economic activities of petty bourgeois elements or the rapid rise of capitalist elements could seriously undermine Soviet power.

Since the socialist state held the commanding heights in the economy, the proletariat was able to keep the growth of the capitalist elements in check and weaken their influence over the peasantry. Relying on the socialist sector and state power, the proletariat used the commodities manufactured at state-owned enterprises and worked out financial, tax and credit policies for regulating the market and directing the "free trade" to meet the requirements of the socialist state.

Because a certain amount of freedom was allowed in trade, the work of government bodies had to be reorganized. The struggle to win over the peasantry now largely depended on the ability of the socialist state to master the art of trade, to establish a durable economic tie-up with the agricultural producers. Indeed to master the art of trade became for the Soviet government the most important task in building up the national economy.

Trade, naturally, is determined by production and depends on it. At the same time, however, it can affect production. The task of the Soviet state was to utilize this factor (i.e. trade affecting production) in organizing production and, by mastering the mechanisms of commodity production, to accelerate the development of the productive forces and guide the entire economy towards socialism.

In view of the need to master the art of trade, the Soviet state at the outset of NEP created a number of government agencies for controlling commodity-money relations. In 1921 the Central Trade Committee was set up and placed under the Supreme Council of National Economy. Its function was to organize the marketing of manufactured goods and procure industrial raw materials, to study the market situation and organize trade. In August 1921 the Price Committee was set up under the Commissariat for Finances. The "Decree On the Price Committee" said in part that "the Price Committee is the highest inter-departmental body for establishing prices." On May 8, 1922, the Commission for Home Trade was set up under the Council of Labour and Defence. It was charged with regulating commo-

dity circulation and, above all, with price revisions.

Much attention was given to cooperative trade. In order to improve the supply of goods to the population, compulsory cooperation was introduced at the beginning of the NEP period. Every citizen was obliged to enter a cooperative. Later on, as they became more firmly established, the cooperatives were built on a voluntary basis.

As they were put on a cost-accounting basis, the state-owned industrial enterprises began to utilize the market and market relations. Some major enterprises were given the right to fix the range of goods to be produced, to change prices in order to be able to compete with capitalist elements on the market. But some enterprises could not fight private capital single-handed. Thus related enterprises pooled efforts and formed a trust and operated on the market as a trust. The trust constituted an essential factor in economic management based on cost accounting. The trade apparatus of a trust was the syndicate. The syndicates were controlled by the Council of Syndicates. This system of directing state-owned enterprises and trade ensured the successful struggle against capitalist elements and facilitated the reorganization of state-owned enterprises along new lines.

The advantages of cost accounting soon became evident. The new methods of management and material incentives led to an increase in the gross output of products, cut down their prime cost, thus making possible a price cut on manufactured goods.

The success of the New Economic Policy and the utilization of commodity-money relations for

socialist construction were closely connected with money circulation. Money circulation, impaired by the Civil War and currency instability, greatly impeded trade and prevented the utilization of the law of value by the socialist state.

Lenin attached much importance to improving finances in full measure. He pointed out that if the rouble could be stabilized the national economy would have a sound foundation and make rapid headway.

The monetary reform started with the issuance of ten-rouble banknotes backed by gold and foreign currency (25 per cent), and by commodities, promissory notes and other obligations (75 per cent). Along with ten-rouble notes, previously issued banknotes were also put in circulation, but their emission was rather excessive.

A large budget deficit incurred by the state was the chief obstacle to stabilizing the rouble and reforming the monetary system. To halt price rises and the decline in purchasing power of the rouble, it was necessary to balance budgetary revenues and expenditures, which in turn depended on the country's economic development. The measures undertaken by the Soviet state to organize production made it possible to wipe out the deficit. For 1922-23 there was a certain equilibrium between the revenue and expenditure although the emission still accounted for some 15 per cent of state expenditures. The money reform was started on the strength of this relatively balanced budget. By June 1924 the reform had been carried through. The economy by then rested on solid foundations. Along with the reform, the Soviet state had to tackle the questions of price formation.

In September 1922 prices for farm products began to fall on account of a large grain influx to the cities and major industrial centres. A sharp gap developed between the prices for manufactured goods and farm products. This caused the peasants to sharply reduce spending on manufactured goods. Thus an upswing in agricultural production unexpectedly had an adverse effect on industry. Sales were in a bad way in the country.

In that situation the Soviet state was faced with the urgent task of establishing a proper ratio between manufactured goods and farm products, for the alliance of the working class and the peasantry was being seriously threatened. The reason for the price disparity lay in the difference between the growth rates in industry and agriculture, the inadequate development of socialist trade, the existence of two currencies which was used by the capitalist elements for jacking up prices and defects in planning production and circulation by the state.

A number of measures was taken to eliminate the price disparity. The measures were put into effect in September 1923. By March 1925 the prewar price level was regained.

Prices for manufactured goods were cut, and those for farm products stabilized. Thus the tie-up between industry and agriculture was strengthened, and the peasants were provided with material incentives to raising agricultural production. Between 1924 and 1925 agricultural production already reached 83.7 per cent of the 1913 level.

Completion of Economic Rehabilitation. Having achieved an upswing in agriculture, the Soviet state began concentrating on industry. In

1920, prior to NEP, Lenin initiated the GOELRO plan to be carried out in 10-15 years. Under the plan it was decided to double the output in basic industry as against 1913, or to top the 1920 level 14 times over. The basic sectors (fuel, steel, etc.) were to increase production 2.5-fold compared to the prewar level. Under the GOELRO plan the rehabilitation and reconstruction of the national economy were connected with the electrification of Russia. GOELRO was the first plan of its kind in history; it was worked out on a state level and based on scientific theory, reflecting the law of proportional and planned development of the national economy.

The GOELRO plan, which seemed almost fantastic in 1920, had been overfulfilled by 1932. In 1936 the amount of electrical power available per worker topped the level envisaged in the GOELRO plan 2.5-fold.

The New Economic Policy did not change the targets of the single economic plan. It only changed the ways and means of achieving the targets. Owing to the efforts of the Soviet state by the end of 1925 the level of agricultural production nearly reached the 1913 level. Industry was also making headway. In 1925-26 gross industrial output topped the 1913 figure. No capitalist country could have restored her industry in such a brief period. Despite massive foreign investments it took Germany 9 years to rehabilitate her industry; France, which received reparations—6 years. It took Germany 10 years to restore her agriculture, and France even longer. Thus socialism proved its superiority to capitalism from the very start.

An important role in the country's economic

advances was played by the Soviet state, which attached particular importance to the well-being of the working people. Following the Civil War and the intervention, the working peoples' plight was exceptionally grave. It was necessary to do everything possible to raise the people's living standards. Thus with the advent of NEP wages immediately went up at a rate which far exceeded the growth rate of labour productivity. From October 1922 to January 1924 productivity went up by 23 per cent, while average wages rose by 90 per cent. The disparity between the growth of wages and that of labour productivity was a temporary phenomenon dictated by sheer necessity.

Later the growth rates of labour productivity and wages were brought into conformity. In 1924-25 labour productivity reached 80 per cent of the prewar level, and wages—83 per cent. In 1925-26 both labour productivity and wages regained the prewar level.

Thus from the very start of the period of the New Economic Policy, attention was given both to the task of regaining the prewar level of industrial and agricultural production and to raising the workers' material standards, to say nothing about the peasants who at this time began to live better than before the Revolution.

Restriction of the Capitalist Elements and Consolidation of the Positions of Socialism. The country's economic advances enabled the Soviet state to carry out more rapidly the policies of restricting and eliminating the capitalist elements. The class struggle at the time was particularly sharp in the retail trade. In 1923-24 private trade still held a dominant position in the country's overall turnover of merchandise (57.7 per cent);

meanwhile the socialist sector accounted for 42.3 per cent. In 1925-26 the socialist share reached 57.7 per cent while the capitalist share was only 42.3 per cent. Thus the answer to the question "who will win?" was clear. Socialism emerged the victor.

Economic rehabilitation became increasingly linked to the task of strengthening of the positions of the socialist elements. In 1924 the socialist sector accounted for 80 per cent of the total industrial output, while the capitalist sector accounted for a mere 20 per cent.

Proceeding from Lenin's proposition that small and middle commodity producers in the countryside should gradually and on a voluntary basis join forces and form, first, sales cooperatives and at a later stage production cooperatives, the Soviet state encouraged the development of consumer and sales cooperatives in the countryside. In 1923-24 the overall membership of consumer cooperatives comprised 7.1 mln; in 1925-26, the number rose to 14,500,000. In other words, in three years the membership more than doubled.

In 1925 there were 54,812 cooperatives in the countryside. Over a period of five years their number grew more than 3 times, and they came to account for nearly 25 per cent of the marketable farm products.

The New Economic Policy led to the weakening of the positions of the capitalist elements, enhanced the role of the socialist sector in all spheres of the economy, strengthened the alliance of the workers and the peasantry, in short, it created the necessary conditions for socialist construction in the USSR.